

Message Text

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PAGE 01 CARACA 12418 181813Z

42

ACTION ARA-10

INFO OCT-01 ISO-00 ARAE-00 SP-02 AID-05 EB-07 NSC-05

RSC-01 CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01

XMB-02 FRB-01 IGA-01 CIAE-00 DODE-00 INR-05 NSAE-00

PA-01 USIA-06 PRS-01 COME-00 SAB-01 L-02 H-01 SSO-00

INRE-00 NSCE-00 /071 W
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O R 181721Z DEC 74

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC IMMEDIATE 6979

INFO AMEMBASSY GUATEMALA

:AMEMBASSY MANAGUA 271

AMEMBASSY PANAMA

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

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GUATEMALA FOR ROCAP

FOR ARA/NC AND ECP

E.O. 11652: N/A

TAGS: PFOR, OCON, VE, XK

SUBJECT: VENEZUELAN CREDIT TO CENTRAL AMERICAN DEVELOPMENT BANK

REF: CARACAS 12304

1. ON DECEMBER 14 THE INVESTMENT FUND OF VENEZUELA AGREED TO
EXTEND A \$40 MILLION LINE OF CREDIT TO THE CENTRAL AMERICAN BANK FOR
ECONOMIC INTEGRATION.

2. THE PREAMBULAR PORTION OF THE AGREEMENT CITES THE OBJECTIVES
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PAGE 02 CARACA 12418 181813Z

OF THE FUND, INCLUDING "THE ESTABLISHMENT OF PROGRAMS OF INTERNATIONAL

FINANCIAL COOPERATION, SUCH AS THE PLACEMENT OF INCOME-PRODUCING INVESTMENTS ABROAD" AND DRAWS THE CONCLUSION THAT BONDS ISSUED BY THE BANK CONSTITUTE "INCOME-PRODUCING SECURITIES, AND THAT THE PROCEEDS OF THEIR SALE WILL BE USED...TO PROMOTE THE DEVELOPMENT OF ITS MEMBER STATES." THE AGREEMENT CONTEMPLATES A CREDIT OF UP TO \$6.5 MILLION TO PANAMA.

3. OPERATIVE PARAGRAPHS OF THE AGREEMENT ARE SUMMARIZED AS FOLLOWS:

CLAUASE 1. THE FUND WILL SUBSCRIBE BONDS IN THE AMOUNT OF UP TO \$20 MILLION AND BS. 86 MILLION.

CLAUSE 2. THE BONDS WILL HAVE THE FOLLOWING CHARACTERISTICS:
ISSUER - THE CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION
NUMBER OF ISSUES - FOUR.

AMOUNT AND CURRENCY OF EACH ISSUE - THE FIRST AND THE THIRD, \$10 MILLION EACH; THE THIRD AND THE FORTH, BS. 43 MILLION EACH.

DATES OF ISSUE - THE FIRST WITHIN THREE MONTHS OF THE DATE OF THE AGREEMENT; THE REMAINING THREE WITHIN THREE YEARS OF THE FIRST AT A RATE OF ONE ISSUE A YEAR, UNLESS OTHERWISE AGREED IN WRITING.

MATURITY - FIFTEEN YEARS FROM ISSUE DATE, EXCEPT AS PROVIDED BELOW.

DENOMINATION - \$5 THOUSAND AND BS 10 THOUSAND RESPECTIVELY, OR MULTIPLES THEREOF, UNLESS OTHERWISE AGREED IN WRITING.

TYPE OF BONDS - BEARER, UNLESS THE PARTIES AGREE THAT THEY SHOULD BE NOMINATIVE.

INTEREST RATE AND FORM OF PAYMENT - EIGHT PERCENT, CALCULATED AND PAID SEMIANNUALLY FROM DATE OF ISSUE IN THE RESPECTIVE CURRENCIES ON PRESENTATION OF COUPONS.

TAXES AND FEES - EXEMPT IN THE BANK'S MEMBER STATES IN ACCORDANCE WITH ARTICLE 33 OF THE BANK'S CHARTER.

REDEMPTION - TWENTY REDEMPTIONS SEMIANNUALLY BY LOT FOR APPROXIMATELY ONE-TWENTIETH OF THE ISSUE VALUE. THE FIRST TO TAKE PLACE AT THE END OF THE ELEVENTH SEMESTER COUNTING FROM THE DATE OF ISSUE; THEREAFTER TO COINCIDE WITH DATES OF INTEREST PAYMENTS.

CLAUSE 3. THE BONDS ARE TO BE REGISTERED WITH THE NATIONAL SECURITIES COMMISSION OF VENEZUELA.

CLAUSE 4. THE FUND WILL PURCHASE THE BONDS WITHIN 60 DAYS OF ISSUE, DEPOSITING THE NOMINAL VALUE IN THE INSTITUTION DESIGNATED BY THE BANK AGAINST DELIVERY OF THE CORRESPONDING BONDS OR THE PROVISIONAL CERTIFICATES DESCRIBED IN CLAUSE 5.

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PAGE 03 CARACA 12418 181813Z

CLAUSE 5. THE BANK MAY SUBSTITUE PROVISIONAL CERTIFICATES FOR THE BONDS, PROVIDED THE BONDS ARE DELIVERED WITHIN A MAXIMUM PERIOD OF SIX MONTHS.

CLAUSE 6. THE REVENUES OBTAINED BY THE BANK WILL FINANCE PROJECTS AND PROGRAMS DESIGNED TO PROMOTE THE ECONOMIC INTEGRATION AND DEVELOPMENT OF THE BANK'S MEMBER COUNTRIES, WITH SPECIAL EMPHASIS ON MAKING USE OF THE REGION'S RESOURCES AND THE DEVELOPMENT OF AGRICULTURE, INDUSTRY, AGRI-INDUSTRY (INCLUDING FORESTRY ACTIVITIES).

TOURISM, AND EXPORT PROMOTION.

4. COMMENT: THE CREDIT AGREEMENT REPRESENTS A COMPROMISE BETWEEN CENTRAL AMERICAN ASPIRATIONS TO OBTAIN RELATIVELY SOFT TERMS AND GOV REQUIREMENTS THAT THE VENEZUELAN INVESTMENT FUND INSIST ON MINIMUM STANDARDS OF SECURITY AND EXPECTATION OF INCOME. THE RATE OF INTEREST (8 PERCENT), TERM (15 YEARS) AND REQUIREMENT FOR REPAYMENT OF ONE-HALF THE TOTAL AMOUNT IN BOLIVARS REFLECT SUCH MINIMUM STANDARDS AND INDICATE THAT THE GOV IS LIKELY TO INSIST ON RELATIVELY HARD TERMS IN EXTENDING CREDITS TO OTHER LATIN AMERICAN COUNTRIES.

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